

Opening Statement for Edward J. Markey (D-MA)
"Economic Impacts of Global Warming Part 1 – Insurance"
Select Committee on Energy Independence and Global Warming
May 3, 2007

This hearing is called to order.

Thank you all for joining us today as we begin to examine the critical issues surrounding the economic impacts that global warming will have on our society. The focus of today's hearing is on the potential economic harm from weather-related losses, both insured and uninsured, as our planet heats up from global warming.

Over the last 25 years, extreme weather caused 88 percent of the \$320 billion in total insured property losses. Since almost everything that is insured – from property, to crops, to human life and health – is susceptible to severe weather, the insurance industry is one of the most sensitive indicators of the economic repercussions of global warming. From a financial perspective, the insurance industry is our canary in the climate coal mine.

Last week, the Select Committee heard testimony from some of the country's leading scientists that we are fast approaching dangerous climate change. Hurricane expert Dr. Judith Curry testified that globally, the number of the most severe storms, category 4 and 5 hurricanes, has nearly doubled since 1970. Scientists are telling us that in the future, global warming will cause even more extreme weather events such as droughts, floods, heat waves and more intense storms and hurricanes.

According to testimony we will hear today from the Government Accountability Office (GAO), private insurers are increasingly factoring aspects of global warming into the determinations of their overall exposure to catastrophic risk. For many private insurance companies, global warming now means that when determining risk, the past is no longer prologue.

The federal government runs two insurance programs – the National Flood Insurance Program, and the Federal Crop Insurance Corporation – both of which are vulnerable to global warming-related losses. In fact, the effect of a growing number of catastrophic climate events may be greater on these federal insurance programs than on many private insurers, because they have not yet begun to factor in the increasing risk from global warming.

In addition, the total exposure of the federal insurance programs has grown dramatically in recent years. The exposure of federal flood insurance has quadrupled since 1980 to over \$1 trillion. Federal crop insurance coverage has expanded almost 26-fold over that same period. This expansion has further increased the threat that extreme weather poses to federal insurers.

The federal government is also vulnerable because it is often the insurer of last resort, providing insurance programs when private insurance markets are insufficient or do not exist, and providing disaster relief to storm-ravaged areas. As losses from severe weather have increased over the last few decades, so have the number of Presidential disaster declarations. For many

catastrophic climate events in the future, it could primarily be the federal government that will pick up the tab.

Insured losses represent just a fraction of total losses. Insured losses account for no more than 40 percent of the total weather-related losses, as most of this damage is uninsured. Therefore weather's total cost to America since 1980 is most likely greater than \$800 billion.

We are just beginning to face the escalation of these losses. Take, for example, Shishmaref, Alaska. It is one of over 100 villages in Alaska facing imminent relocation as a combination of less sea ice and more intense storms wipes out the very land they inhabit. It will cost over \$250 million to relocate Shishmaref alone, and that cost will fall on the US taxpayers because these native villages are the responsibility of the federal government.

The Congress needs to understand the risk and implement real solutions to cut global warming pollution.

And now I would like to recognize the Ranking Member of the Select Committee, the gentleman from Wisconsin, Mr. Sensenbrenner.